JUNE 1959

Cost and Management

THE SOCIETY OF INDUSTRIAL & COST ACCOUNTANTS OF CANADA
INCORPORATED 1920

Serial Dept.
JUL 1 1959

Cost Control in a Television Station
by John G. Reynolds — *Page 213*

Marketing—The New Challenge for the Cost Accountant
by Harold E. Cannon — *Page 232*

Standard Cost Control for a Punched Card Installation
by E. S. Kraft — *Page 239*

REGULAR DEPARTMENTS

Editorial Comment	209
Topical Comments	230
The Economic Scene	236

Journal of the Society of Industrial and Cost Accountants of Canada

MODERN SALARY EVALUATION

Modern Salary Evaluation,

— is the method approved by business and industry itself as the most practical and realistic approach to sound salary determination,

— is the accepted best method to insure that your salary structure expresses company policy and is in keeping with your industry and the community,

— establishes a consistent, systematic and defensible basis of setting and revising salaries fair to both the company and the personnel involved.

Your inquiries are invited

J. EDGAR DION & COMPANY LTD.

MANAGEMENT CONSULTANTS

4350 Sherbrooke Street West — Montreal 6, Canada

WEllington 7-1428

Cost and Management

Incorporated in 1920 and published monthly by the
SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF CANADA
Editorial and business offices:
31 Walnut Street South, Hamilton, Ontario
Executive Vice-President and Editor: J. N. ALLAN, RIA

Subscription price to non-members, $5.00 per year
Single copies, 50 cents. Members desiring five copies or more of a single issue, may obtain them at 25 cents each.

Opinions expressed by articles and comments are not necessarily endorsed by the Society.

Authorized as second class mail, Post Office Department, Ottawa.

EDITORIAL COMMENT . . .

"MANAGEMENT ACCOUNTING" HAS ARRIVED

IN THE APRIL, 1959 issue of *The Accounting Review* is published the "Report of Committee on Management Acounting." This Committee was appointed in January, 1957 by the Executive Committee of the American Accounting Association with the purpose of clarifying "just what is meant by the term management accounting." The Committee has now arrived at the following definition of Management Accounting:

> "Management accounting is the application of appropriate techniques and concepts in processing the historical and projected economic data of an entity to assist management in establishing a plan for reasonable economic objectives and in the making of rational decisions with a view toward achieving these objectives."

The report differentiates clearly between management accounting, which is concerned primarily with the internal needs of management, and traditional financial accounting, which emphasizes historical data and consistent and conservative external reporting "in accordance with generally accepted accounting principles." The flexibility of management accounting is stressed.

It is most gratifying to read in the report that "the utilization of accounting-based data must be related to the functions of management. Management accounting recognizes that accounting should not operate in a vacuum nor should it be conditioned entirely by specially-oriented conventions such as many of those that have been fostered by authoritative organizations within the profession."

In conclusion, the Committee expresses its belief "that management accounting is of such significance to the accounting profession, whether public or private, that some concerned action is warranted. The action should be designed to awaken public accountants, industrial accountants, and teachers to the need for an objective look at accounting in its entirety."

In the final paragraph, the Committee, chaired by Glenn A. Welsch, states: "The profession should strive to develop an association of the accountant with management as well as with auditor and tax expert."

We expect this report to speed up a growing recognition of the need for industrial accountants to emancipate themselves from the shackles which legal, and particularly tax considerations have forced upon accounting.

Our Society can look back with pride to its pioneer exploration of the concept of management accounting. This is shown, for instance, in the January, 1954 issue of *Cost and Management.*[1] The educational implications of management accounting, which are stressed in the Committee's report, were recognized early in our Society. As a result, executive development courses having Management Accounting as one of the main objects, were introduced as far back as six years ago. The paper "Management Accounting for Small Enterprises" was the Society's contribution to the Tenth International Management Congress.[2]

The following sentence, taken from the Report of the Committee on Management Accounting, should be a tenet of all industrial accountants.

> "An awareness within the profession that accounting data for internal purposes need not be subject to the dictates of external reporting should be encouraged without emphasizing one objective to the detriment of the other."

Whereas in 1954 it was impossible to find a text book on management accounting, numerous volumes have appeared since. One of the most recent is *Managerial Accounting, An Introduction* by Professor Bierman of Cornell University, [3] directed to students who are interested in accounting as a tool of management rather than as a career. However, the first half of this volume is still devoted to "Financial Accounting", which may drive home the fact that management accounting cannot be mastered, or even understood, without a basic knowledge of financial accounting. Another valuable volume is I. Wayne Keller's *Management Accounting for Profit Control.* [4] The author's concept of management accounting is stated in the first sentence:

> "If an enterprise is to earn the optimum profit, its managers must know the effects on income, costs, and assets of possible courses of action, of the plan of operation selected for a given period, and of the actual operations for the period in comparison with the plan."

It can be safely concluded that the term "Management Accounting" is here to stay, although "Managerial Accountancy" would have been more precise. The industrial accountant will have to tackle this body of knowledge with imagination and inventiveness, ready to explore and experiment, free from dogmatic adherence to "principles" which have no useful application outside the original sphere for which they were convened!

(1) Editorial Comment—Management Accounting — and — "Management Accounting—Evaluation of a Panel Discussion"—George Moller.
(2) George Moller—"Management Accounting for Small Enterprises"—Cost and Management, May 1954.
(3) The MacMillan Company, New York, 1959.
(4) McGraw Hill Accounting Series, 1957.

PERSONALS

W. R. HARRIS, R.I.A. has been appointed Vice-President and Comptroller of Pacific Western Airlines. Mr. Harris is a member of the Vancouver Chapter.

How to Get the Most from Modern Copying

As systems men see it — putting a new Verifax Bantam Copier in every department eliminates secretarial travel time — saves up to 24¢ every time copies are made.

These savings alone can pay for each department's Bantam Copier in a month or two. No one need take more than a few steps to copy letters, orders, reports —what have you. (5 clean copies made in 1 minute for about 3½¢ each.) Call your Verifax dealer for free demonstration, or simply mail coupon below. No obligation.

Price is subject to change without notice.

Verifax Copying

DOES MORE...COSTS LESS...MISSES NOTHING

MAIL COUPON TODAY

CANADIAN KODAK CO., LIMITED, Toronto 15, Ontario

V-88

Gentlemen: Please send new booklet describing Bantam and other Verifax Copiers. Also names of nearby dealers.

Name_____ Position_____

Company_____

Street_____

City_____ Prov._____

Kodak
TRADE MARK

NEW KEYSORT TABULATING PUNCH

Today's only machine that automatically code-punches and tabulates original records.

It's unique. It code-punches quantities and amounts in keysort cards . . . tabulates them . . . then reads, prints, duplicates and summarizes these figures —for the preparation of any management report necessary.

Rental is less than $100 a month. Operation is simplicity itself. This tab punch will deliver fast, accurate, low-cost data processing wherever it's required.

It's just one member of a whole family of *flexible* equipment and methods McBee offers to help you cut automation down to size.

McBEE FOR PRACTICAL OFFICE AUTOMATION

The McBee Company Limited, 179 Bartley Drive, Toronto 16, Ontario

OFFICES IN PRINCIPAL CITIES ACROSS CANADA

COST CONTROL IN A TELEVISION STATION*

By John G. Reynolds,
Controller,
WXYZ, Inc.,
Detroit, Mich.

This thesis outlines how a cost accounting system recommended by a major television network for its owned and operated stations can be adapted to the needs of a local station. Much of the system has already been put into effect, supplying management with fast, accurate statements and statistics, yet remaining adaptable for other information purposes.

IN THIS THESIS an analysis is made of the cost accounting system recommended by a major television network for its owned and operated stations.

Though the operations of a network, where expenses vary more and costs rise continually, differ from those of a local station, there is a definite relationship between the two. Bearing this in mind, the writer will show how the cost accounting system recommended by a network can be adapted for local use.

Naturally, certain procedures ideal for the network are useless for a local station. These will be discarded and others, more suitable, will be used in their place.

Brief descriptions of the type of business, studio buildings, methods and cost accounting techniques will be presented. In discussing some of the above topics, hypothetical examples will be used.

GENERAL INFORMATION

Television ranks with newspapers, motion pictures and radio as one of the great mass media. Nothing has hit the public with the impact that television has. According to the latest census taken in the United States, 73% of families had television sets.

Beginning in the early 1930's, the growth of television was slow but steady. Rapid advances were made during the war years and by 1945 commercial television had arrived. In late 1952 the east and west coasts were connected via coaxial cables. Thus programs from New York or Hollywood can be sent to other cities via the coaxial cable or microwave systems (low-powered automatic stations placed in a row on high points between cities). The original signal is picked up by one relay, given additional power, and directed in a straight line to the next relay point and so on, to its final destination.

The present company began operation in 1948 from a location on top of a large midtown building. Seven years later, with the expansion of the industry, space and facilities proved inadequate and so a new site was purchased and the present build-

*Condensation of a thesis submitted for R.I.A. qualification.

John G. Reynolds has been with WXYZ Incorporated, a subsidiary of the American Broadcasting Company, since 1952 and was appointed Controller last April. During the war years he served as a navigator in the RCAF in Canada and England and later was employed with Hiram Walker & Sons for five years. He is a recent R.I.A. graduate and a member of the Windsor Chapter of The Society of Industrial and Cost Accountants of Ontario.

ings erected. The station operates under maximum power of 320 K.W. visual power and aural power of 158 K.W. It encompasses an area of approximately 90 miles. In this area there are about 1,800,000 families. Of these, an estimated 1,500,000 own television sets. There are 150 full-time and between 25 and 30 part-time employees. Commercial competition is provided by three other TV stations in the area, along with 21 newspapers and 35 radio stations.

PLANT LAYOUT

Several factors were considered by management before moving from rented buildings in the downtown area to a new location 20 miles further out. Some of the questions asked and answered favorably were:

(a) Does the cost of erecting a building and buying the land offset the rent that will be paid over the next few years?
(b) Can the company afford to move?
(c) Will moving to the suburbs mean the loss of any business, since a great number of agencies and advertisers are located downtown?
(d) Will many employees leave, and if so, how difficult is it to get replacements?

The answers to these questions, plus the following advantages, convinced management that the company would benefit from the move:

(a) more space
(b) more economical, since equipment and personnel could be arranged in the most effective manner
(c) coverage would be greater in the suburban location and the station would have a larger audience
(d) more efficient operation
(e) better working conditions
(f) room for expansion.

The operation has been streamlined for efficient handling, storing and other programming facilities.

Studios and transmitter are located in the same building, making a very convenient operating scheme. The tower is located on an incline a few feet from the building. This, incidentally, makes a fine transmitting location.

In the building itself are housed all the personnel and functions necessary to operate a successful TV station, with facilities and space for their use. There are three studios complete with control room and equipment. On the main floor a general storage and receiving room is handily located near all three studios. A ramp from the street leads through overhead doors into the storage room and to the studios. It is large enough to permit trucks into the building to unload props, etc., for storage or for shows. All three studios have unexcelled lighting facilities. From the largest of the three studios, "A", originates the more involved presentations. Room is available for guests and sponsors to watch programming from this studio. Studios "B" and "C" contain permanent sets employed for news, sports and kitchen shows. Studio "A" has its own control room, while a common control room services studios "B" and "C". Both control rooms have two levels, one 20″ higher than the other. The upper level contains audio and video switching equipment. The lower level contains

video control equipment. The director controls the show's operations from the upper level. Directly ahead are the monitors.

Master control is in the transmitter room on the second floor. Thus studio shows are treated as remotes at master control. The film chains are looped through the studio control room to master control. This type of arrangement has certain advantages. Network or film programs can be handled completely at master control, thus freeing the controls and studios for rehearsals. It also makes studio manpower available for maintenance and striking and setting up the next live show.

PURPOSE OF BUDGETARY SYSTEM OF COST ACCOUNTING

1. To provide management with weekly estimates of income and expense. If calculated in the logical and prescribed manner, these will be very close to actuals reported at the close of the period. Having this advance information facilitates management's controlling, planning and other policy problems.
2. To calculate the utilization of facilities and manpower. Unabsorbed costs will be highlighted and brought to the attention of department heads.
3. To provide cost reports on the individual programs. Previous to the introduction of the new system, financial reports and budgets did not analyze income and expenses in sufficient detail to give a profit and loss on individual shows. With this information, management can answer the questions:
   (a) At what price can we sell this show?
   (b) Should we discontinue this show?
4. Estimates on closed circuits and remotes can be easily made.

To fulfill the demands of the above, the following statements and schedules are prepared by the cost accounting department:

(1) Departmental budgets for all cost centres, setting and administrative departments and the transmitter are prepared quarterly.
(2) Sales budgets are prepared quarterly.
(3) Weekly estimates of income and expense.
(4) Program profit and loss statements.
(5) Quarterly forecasts of income and expense prepared two months prior to the quarter and revised monthly.
(6) Actual costs for all cost centres and programs are compared with budgets.
(7) Costs are developed which can be compared with rates charged to sponsors. If they indicate substantial over or under-recoveries, management can decide whether competitive conditions will permit adjustments.

PROBLEMS DEALT WITH IN THE SYSTEM

The information needed by management generally depends directly upon the problems and conditions confronting a particular company and a particular industry. The TV business is no exception.

(1) Government regulations control the number and type of stations owned. Buying new stations in the area is forbidden. If a station intends to make a greater profit, it must improve its operation.
(2) A TV station has high fixed operating costs in the form of physical facilities (studios, cables, etc.) and many types of skilled and unskilled employees.
(3) The use of these facilities is a major factor in the profitability of the station. Affecting this are: seasonal fluctuations in the nature and number of pro-

grams; weekly and daily fluctuations arising from the program schedule—the brief span of time elapsing between completion of script and air time.

(4) There are high variable costs for talent and film.

(5) Network programming.

(6) There are three other stations in the area. Frequently the station must follow suit in regard to rate scales, unions, etc.

(7) With the rising costs of programs, competition between stations becomes keener. This makes it necessary to provide management with reasonably accurate long-range estimates to guide them in planning and deciding future activities.

PRODUCTION BUDGETS

Approximately two months prior to each calendar quarter, department heads are asked to submit quarterly budgets of their estimated expenses on a form similar to Exhibit I.

The departments involved are:
Studio and Field Engineers
Master Control Engineers
Directors, Assistant Directors
Floor Managers, Electrical Trans.
Film Department including Projectionists
Announcers
Production Department including Stagehands and Graphic Art Department
News
Orchestra
Maintenance
Program Coordination Dept.
Studio Office (including Operations Manager).

The department heads fill out the form basing their budgets on a combination of past experience and future requirements, carefully weighed in the light of expected schedules, sales commitments, etc.

Approximately one month after the quarter, the cost department furnishes the department heads with a comparison of actual and budgeted expenses. Any changes in salary structure due to additions, replacements, deletions or pay increases are to be noted by the department heads when filling out Exhibit I. Any other expense changes of material value must also be accounted for. After the direct expenses have been completed, the department head forwards it to the cost department for review against previous budgets. Unusual items and material increases or decreases are carefully scrutinized and discussed before it is approved. Indirect costs such as rent, H.L. & P., taxes, etc., are then entered by the cost department. Service department expenses, maintenance and studio office are then distributed to the producing cost centres.

At this time it might be appropriate to discuss how some of the indirect costs are allocated to the various departments.

Rent .....—Square foot basis
Taxes on Building .....—Square foot basis
Cleaning .....—Square foot basis

Depreciation	—Straight line—directly to department where asset is located and used
Employee Benefits, including Company Group Insurance, Workmen's Compensation, Unemployment Insurance	—Number of employees
Telephone	—Number of telephones in department
Heat, Light & Power	—Separate metering of light and power for each room
Vacation Pay	—Department heads list all employees entitled to two or three weeks' vacation. They are extended and the total divided by 52 weeks to determine the amounts charged for each accounting period.
Supervision	—Allocated directly to cost centres on the basis of the supervisor's estimate of what percentage he spends in each cost centre.

COST CENTRE LIQUIDATION RATES

All department heads are responsible for the available man hours that they report in Exhibit I. The straight time and overtime must be carefully estimated for the personnel in these cost centres. The department head must be extremely careful also in estimating the number of hours that will be charged to programs, since these hours are the basis for liquidating the cost centres.

$$\text{Cost Centre Liquidation Rate} = \frac{\text{Total Budgeted Expenses of Cost Centre}}{\text{Estimated Hours Charged to Programs}}$$

As an aid in preparing budgets, the program coordination department furnishes the department heads with a tabulation, by individual programs, of hours charged to the programs by cost centre during the preceding quarter and the equivalent quarter of the previous year. This is prepared from daily time reports tabulated by the program coordination department.

On the reverse side of Exhibit I, the cost department apportions by weeks the total available hours shown by the department head. Actual hours worked and actual hours charged to programs are then entered for both straight and overtime, as they become available. With this comparison of actual and estimated available time and time chargeable to programs, the utilization of time is clearly presented and reasons for major variances are highlighted. Since the liquidation rate is based upon hours charged to programs, a variance between budget and actual hours can be established.

SUMMARY OF COST CENTRE LIQUIDATION

Total dollar cost centre should include applicable labour, materials and overhead as indicated on Exhibit I. "Number of men" refers only to personnel reporting time on programs.

The reason for not using the total hours available as the divisor in liquidating the cost centres should be noted here. It was felt that using hours chargeable to programs would give a more realistic presentation of the true cost of programs. In any case, the percent of hours charged to programs against total available hours is noted each quarter and as a rule it does not vary too much.

Hours available weekly reflect the hours of work that can be expected from personnel reporting time, based on program schedules and work schedules. Of these, the estimated number that will be charged to programs is then used.

GENERAL ADMINISTRATIVE AND SALES BUDGETS

All expenses anticipated from non-producing departments are next analyzed. The departments that make up general sales and administrative expenses are:

Sales
Merchandising
Traffic
Advertising
Mail and Messenger
General Executive
Controllers
Legal
Telephone.

Expense budgets for these departments are obtained in a similar manner as the producing departments. Previous experience and future plans determine to what degree the expenses will vary. Except for the sales department, which has severe income fluctuations due to seasonal variations, the expenses are fairly constant. Expenses that vary with income are:

Salesmen's Commissions
Officers' Incentive Bonuses
National Spot Representative Commissions
Agency Commissions
Gross Receipts Tax
Music License Fees

SALES FORECAST

Income from the sale of time is broken down into three distinct classifications—Local, National and Network.

Local sales comprise the income derived from companies directing their advertising to people in the immediate area. They include such commercial enterprises as automobile dealers, retail stores, etc. Four salesmen, working on a commission basis, solicit 90% of the local business.

National sales income consists of all advertising done by national organizations such as automobile, cigarette and food companies. A contract between the station and the national sales representative has been drawn up, whereby the representative agrees to solicit all national business for the station in exchange for a certain percentage of the sales.

Network income is a total of all the hours of network programming, multiplied by the hourly station rate as listed on the latest rate card. The network, however, is entitled to a few free hours weekly.

The sales manager then attempts to determine the forecast for the quarter. The salesmen and the national representative are asked to submit an estimate of what they expect to contract for the quarter. The network tells them what the programming hours will be, and from this is calculated the network credit. These reports are

then consolidated by the sales manager, who makes any necessary adjustments before forwarding them to the president. Further changes, due perhaps to economic or competitive conditions, are incorporated before the budget is approved.

ADVERTISING BUDGET

The advertising budget is prepared by the sales promotion director and is governed by numerous circumstances including:

(1) Sales Budget
(2) Trade Deals
(3) New Programming
(4) Time Changes
(5) Network Programming
(6) Number of stations in the area.

This expense can run from one to seven per cent of net air-time sales depending upon the above factors.

TALENT, FILM, PACKAGES AND RIGHTS BUDGETS

These are all prepared by the studio manager working in close cooperation with programming and sales department. They are reviewed and adjusted by the president when necessary.

TRANSMITTER BUDGET

Usually the transmitter is located apart from the studios and offices to ensure maximum coverage of the surrounding area. Transmitter expenses are considered as deductions from income rather than operational expenses, since there is no direct connection between transmitter cost and the specific production of a program. Transmitter expenses are budgeted in the same way as the production and administrative departments, with actuals being compared with estimates at the end of each period.

MASTER BUDGET

All budgets with attached schedules and analyses are then forwarded to the cost accountant who prepares the master budget. A meeting is arranged, consisting of the president, sales manager, controller, studio manager and cost accountant. All budgets are reviewed and the various items of income and expenses debated and changed if necessary before final approval is given. An estimated operating statement and balance sheet is prepared.

WEEKLY STATEMENT OF ESTIMATED INCOME AND EXPENSE

Management desires weekly estimated operating statements primarily to help in policy-making decisions and to provide the basis for executive action in controlling and guiding company operations. These statements are presented to head office one week after the close of business.

The cost accounting department is responsible for estimating, recording and assembling the results of the week's operations. The difference between actuals and estimates must be kept to a minimum. This is done by methods and procedures that permit fast but accurate calculations. Here again, accurate budgeting is of prime importance, since it directly and equally affects both program profit and loss statements and weekly operating statements. Budgets therefore must be reasonably accurate and liquidation rates must be set at a level that will produce full liquidation of

costs. When this does not happen, it becomes necessary periodically to adjust the budgets in the light of subsequent results. If budgets are not revised in view of actuals, estimates of operating results will be increasingly inaccurate and the whole project becomes meaningless. Moreover, budgets should never be inflexible.

An outline of the procedures and form used in preparing the weekly estimate of income and expense is given below—items are presented by functional category. (See Exhibit 2.)

Line 1 *Local Program and Spots*
From station logs, the billing department posts all spots and programs to the local billing ledger. Calculations are then extended, short rates and frequency discounts noted and the clients billed weekly. Information showing gross and net times sales plus program production and talent charges are presented to the cost accountant.

Line 2 *National Programs and Spots*
Programs and spots are posted weekly to the national billing register in the same manner as local; however, actual billing occurs only at the end of the month. By referring to contracts, the billing department can calculate weekly total of national billing for the cost accountant.

Line 3 *Network Credit*
The network compensation department prepares a weekly schedule listing all network shows carried by the local station. This schedule gives the name and sponsor of each program and the hourly credit due the station for each. Hours are then totalled and extended using the regular station rate less free hours due the network. The billing department checks all times, all computations and makes any necessary changes before returning the adjusted copy to the network. Totals are forwarded to the cost accountant.

Line 4 *Total of Lines 1 and 3*

Line 5 *Music License Fees*
Royalties paid to the Society of Composers, Authors and Publishers (ASCAP) and Broadcast Music Inc. (BMI). These fees are paid on a percentage of the net income less certain allowable deductions including participating talent, film, and sales commissions. Still ASCAP and BMI expenses amount to about 3% of the total income.

Line 6 *Transmitter*
Transmitter budget absorbed 100% on a weekly basis.

Line 7 *Total of Lines 6 and 7*

Line 8 *Net Air Time Income*
Line 7 deducted from Line 4.

Line 9 *House Services*
All expenses of the production cost centres are charged to programs on the basis of the liquidation rates established by budgets for each cost centre. The amounts charged to programs each week are based upon time reports furnished by these cost centres.

Line 10 *Talent*
Total talent payments to regular talent, participating talent and independent contractors.

Line 11 *Package Programs and Rights*
This direct charge is always known beforehand. A package program is one produced by an outside agency and sold to the station, which in turn sells it to a sponsor. A right is a fee paid to an outside company for the use of its facilities or property in televising a show.

Line 12 *Film Expense*
Weekly write-off of film used.

Line 13 *Network Co-Op Shows*
Programs originating from, but not sold by the network. If these shows are sold locally the network bills the station for a percentage of the cost of the show.

Line 14 *Any other direct program charges not mentioned previously*
Any expenses put in "Other" are not included in any cost centre budgets and are accordingly charged directly to program. Some of the expenses that fall into this category are purchase and rental of props or costumes, scripts purchased, travel to and from shows, daylight savings and any other outside-origin station costs.

Line 15 *Total of Lines 9 to 14*

Line 16 *Recoveries from Sponsor*
Estimates of income received from talent, packages, films and production costs from clients who purchased the program. Since the costs of programming are so high, the income from time sales has to be supplemented by additional income for production and talent costs.

Line 17 *Net Program Production Costs*
Line 15 less Line 16.

Line 18 *Gross Profit from Operations*
Line 17 deducted from Line 8.

Line 19 *Departmental Expenses including Salaries*
This represents the weekly budgeted amount of general administrative and selling expenses.

Line 20 *Advertising and promotion expenses* as budgeted on a weekly expense.

Line 21 *8% to 12½% of all national billing* calculated on a pyramiding scale.

Line 22 *Total*
Sum of Lines 19, 20 and 21.

Line 23 *Over or unabsorbed costs*
Total of weekly cost centre budget is applied against the cost centre expense liquidated to cost of programs based on the actual hours spent on programs.

Line 24 *Other Income or Expense*
Non-operating expenses or income, such as the sale of land or other assets—Merchandising is included as other income.

Estimated Profit or Loss—Net profit or loss from local station operations for week.

PROGRAM PROFIT & LOSS STATEMENT

It is to the advantage of a station to be able to know what a specific program costs and how it compares with what it is sold for. Management can then decide whether to discontinue a program, whether the income from the time sales is sufficient to affect the loss due to high talent and production costs or whether a program can be revamped to reduce the costs and keep the program going.

To ensure that the results of these program costs are accurate, it is necessary to charge all costs to the program at rates which have been previously established to reflect all indirect expenses.

The costing of programs could be compared to a job order cost sheet without materials and direct labour. However, other direct charges including talent, film props, etc., must be included. Each program is numbered. The first digit of the sequence denotes whether the program is commercial, participating, sustaining or network. A commercial program is one that is sponsored entirely. A participating program is one in which spot commercials are inserted. A sustaining program is one where there is no income. Network programs are self-explanatory. However, network programs and the applicable hours for one week are grouped together and one cost sheet prepared for the total.

Assuming that a program has been developed and sold to a sponsor, the following data are then accumulated. Gross time sales plus any recovery of the production charges are obtained from the sales department. The studio office manager's department then sends a list of all direct charges including talent and film expenses. The program coordination department tabulates the time spent by each cost centre. The cost department collects and multiplies these hourly figures by the predetermined rates previously established. Music license fees are also entered by the cost department. Transmitter costs are obtained by taking the total transmitter cost for a week and dividing it by the number of hours the station telecasts per week. This hourly figure is then multiplied by the time of the program. This information is then accumulated into a program profit and loss statement which would be similar to the hypothetical example in

Exhibit 3.

A program cost report would be similar to that below—

Information needed and furnished

Gross Air Time Sales	$2,000.
Transmitter Expense	300.
Music License Fees	60.
Talent, Film or both	350.
Other Direct Expenses	50.

Cost centre hours at cost centre rates

Engineers, Studio & Field	—16 hrs. @	$5.50	$ 88.
Directors and AD's	— 8 hrs. @	9.00	72.
Master Control	— 3 hrs. @	7.00	21.
Floor Managers	— 2 hrs. @	6.00	12.
Projectionists	— 4 hrs. @	5.00	20.
Announcers	— 2 hrs. @	4.00	8.
Stagehands	—10 hrs. @	5.00	50.

The information is then compiled into a program profit and loss report shown below.

				Percentages
Gross Sales			$2,000.	100%
Agency Commission & other discounts			300.	
Net Sales			$1,700.	85%
Cost of Air Time				
Transmitter		$ 300.		
Music License Fees		60.	$ 360.	
Net Air Time Income			$1,340.	67%
Less Program Cost				
Talent	$100.			
Film	250.			
Other	50.	$ 400.		
Cost Centre or House Service Expenses				
Engineer—Studio & Field	$ 88.			
Master Control	21.			
Director & AD's	72.			
Projectionists	20.			
Floor Managers	12.			
Announcing	8.			
Stagehands	50.	$ 271.		
		$ 671.		
Recovered from Sponsor		$ 500.		
Net Cost of Programming			$ 171.	
Program Profit			$1,169.	58.4%

Percentages of Net Air Time and Net Cost of Programming to Gross Sales are also noted. General Selling and Administrative Expenses have not been assigned to individual programs. It was found to be too difficult to assign these costs on an equitable basis.

PRODUCTION EXPENSES—ACTUAL

The number of expense accounts in the industry are relatively few in comparison with a manufacturing concern. Because of this, no manufacturing expense control account is in force. Rather each item of expense has a page in the general ledger. To compare actual cost centre expenses to budgeted, the expenses must be taken from the ledger and posted to production summary sheets for each cost centre. Even though it has no bearing on program costs but just as a check on budgets, administrative expenses by departments is also posted to summary sheets. By doing this a twofold purpose is served—

(1) Budgets can be compared with actuals

(2) Federal communication commission reports and schedules can be prepared.

An entry similar to the following is made—

Debit Manufacturing Expense Summary ..... ————

Credit Salaries—Regular ..... ———
Salaries—Technical ..... ———
Salaries—Temporary ..... ———
Salaries—O/T ..... ———
OMS (Other Materials & Supplies) ..... ———
Travel ..... ———
Summary of Equipment ..... ———
Alterations, Labour & Repairs ..... ———
Rent ..... ———
Heat, Light & Power ..... ———

To close manufacturing expense accounts
The entry for production expense applied was—
Debit WIP Production Expense ..... ———
Credit Applied Production Expense ..... ———
The applied production expense is then closed by the journal entry.
Debit Applied Production Expense ..... ———
Credit Manufacturing Expense Summary ..... ———

The difference in the manufacturing expense summary represents the amount by which the expenses for the period were over or under applied to programs. If the balance is a debit, expenses were under applied or under absorbed. If the balance is a credit, expenses were over applied or over absorbed. The difference is closed out to the cost of programs at the end of the period.

VARIANCES

Actual expenses are then broken down into the various cost centres. The coding of the expense tells whether it belongs to a cost centre, an administrative or sales department, the transmitter or a direct program expense. As per Exhibit 4, the total of all actual expenses for all cost centres will equal the total of all production expenses. These expense summaries are then compared to budgeted expenses and variances noted. From the comparison certain important details are realized. Each sizeable difference is analyzed and the reason for it determined.

The "Two Variance Method" which measures and reports

(1) Controllable or Budget Variance
(2) The Volume Variance

is used.

The controllable variance is the difference between the actual expenses incurred and the budget allowance based on standard hours.

Actual Production Expense	$2,650.
Budget Allowance based on standard hours	
500 hours x $5.00	2,500.
Over expended or unfavourable controllable variance	$ 150.

Volume variance is the difference between the budget allowance based on standard hours and the standard hours times the standard rate.

Budget allowance based on standard hours	
500 hours x $5.00	$2,500.
Standard hours x standard rate—480 hrs. x $5.00	2,400.

Unfavourable volume variance or low use of facilities	$ 100.
The total difference between actual and amount charged to program was	$2,650.
	2,400.
	$ 250.
This consisted of controllable variance	$ 150.
and volume variance	100.
	$ 250.

This information is prepared in detail for each cost centre and in total for the period.

CONCLUSION

An attempt has been made to present a workable cost system for an average television statement. By no means can it be considered an answer to the problems confronting the industry. Most of the system has been put into effect; other portions are being experimented with and where they are found impractical will be altered.

However, if done correctly the system will present management with fast, accurate statements and statistics, and at the same time be adaptable for finding other data necessary for comparative purposes and government reports.

For further reading

THE ACCOUNTING PICTURE IN THE TELEVISION INDUSTRY, by J. H. Regazzi, Journal of Accountancy, May 1955.

RADIO BROADCASTING AND TV ACCOUNTING, by Nora M. Foulds, The Canadian Chartered Accountant, Sept. 1957.

A COST STUDY IN A RADIO-TELEVISION STATION, by E. S. Palmer, N.A.C.A. Bulletin, Feb. 1956.

COMPANY NAME — Exhibit No. 1

BUDGET CENTRE..... ACCT NO..... ..... QTR.

Acct. No.	Expense	Same 9 Weeks Last Yr. Act.	Budget 9 Weeks This Year	Diff.

Exhibit No. 2

COMPANY NAME

.....Week Ended		Quarter To Date
	INCOME	
	Local Program & Spot	
	National Program & Spot	
	Network Credit	
	Total—Air Time Sales	
	COST OF SALES	
	Music License Fees	
	Transmitter	
	TOTAL	
	NET AIR TIME INCOME	
	PROGRAM COSTS	
	House Services	
	Talent	
	Packages & Rights	
	Film Rental	
	Network Co-Op Shows	
	Other	
	Total	
	Less: Recoveries	
	NET PROGRAM COSTS	
	GROSS OPERATING P & L	
	GEN. ADMIN. & SALES EXP.	
	Departmental	
	Advertising & Promotion	
	Spot Rep. Commission	
	Total	
	UNABSORBED COSTS	
	House Services	
	OTHER INCOME OR (EXP.)	
	EST. PROFIT & (LOSS)	

Exhibit No. 3

STATION.....

ESTIMATED PROGRAM PROFIT & LOSS STATEMENT

for the week ending.....

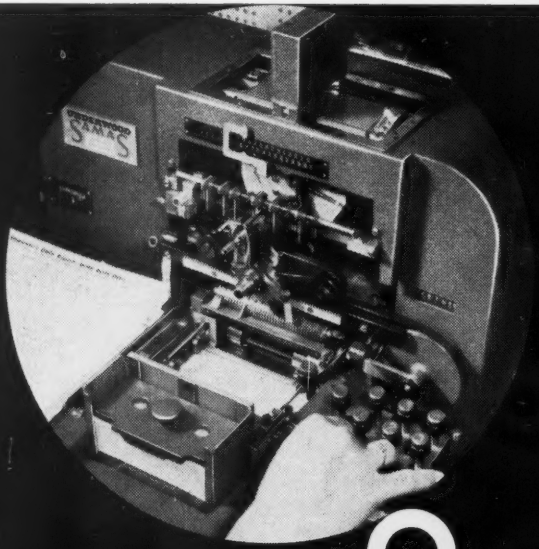
Program No.	Title	Gross Sales	Discounts and Commissions	Net Sales	Cost of Air Time	Net Air Time Income	Direct Costs	House Services	Recovery	Net Program Cost	Program Profit and (Loss)

Exhibit No. 4

COMPANY NAME

SUMMARY OF ACTUAL EXPENSES FOR THE FOUR / FIVE WEEK PERIOD ENDING.....

Expense Code No.	NAME	Field and Studio Engineers	Master Control	News	Directors	Orchestra	Total
501	Salaries—Regular						
503	Salaries—Temporary						
504	Salaries—Overtime						
368	Depreciation						
370	Company Insurance						
605	OMS						
606	Photo						
622	Travel						
627	ALR						
632	Telephone						
635	Rent						
636	HL & P						
638	Fire Insurance						
699	Miscellaneous						



Only an Underwood Samas user could make this statement:

"THE EXTREMELY LOW COST ALLOWED US TO TAKE ADVANTAGE OF A PUNCHED CARD SYSTEM"

R. E. Oliver, Controller
Donald Ropes and
Wire Cloth Limited
Hamilton

Donald Ropes and Wire Cloth Limited, like many other companies, have discovered that the Underwood SAMAS Punched Card system pays off immediately—*and that the initial cost is well within their reach.*

Listen to what impresses Mr. Oliver:

"reliability and fairness of the service . . ."

"simplicity of operation . . . ease of training staff"

"Comparative low cost of rental and supplies"

"flexibility of equipment"

"technical assistance given by Underwood SAMAS Methods personnel"

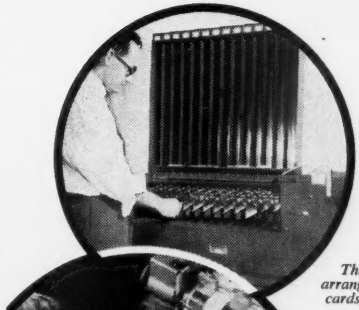
"we have not added a new person to our accounting staff since installing your punched card equipment over two years ago"

This company uses Underwood SAMAS equipment mainly for Sales Analysis, Payroll Analysis, Accounts Receivable, and also for special tasks: labels for files, mailing lists, overdue account listings and manufacturing operation research.

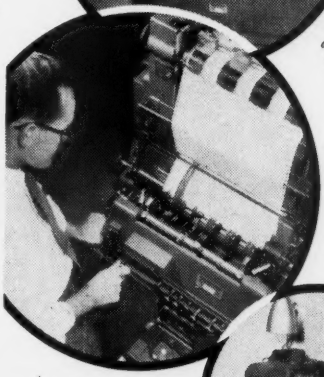
This low cost system will save money for your company too. Take advantage of this no obligation offer:

Underwood SAMAS offer at no expense or obligation to you:

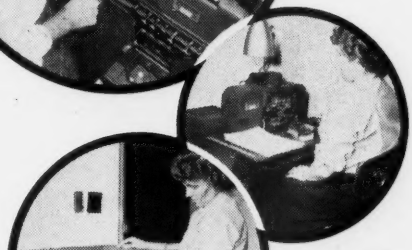
1. Underwood's Punched Card Specialists study your business operations.
2. Underwood's SAMAS Methods Division determines your need.
3. Only then, is a proposal made, designed to dovetail into your particular requirements. Costs, machines, personnel procedures, and expected results are submitted to you. You will then be able to judge for yourself the advantages offered by the Underwood SAMAS Punched Card System, and come to an accurate decision.

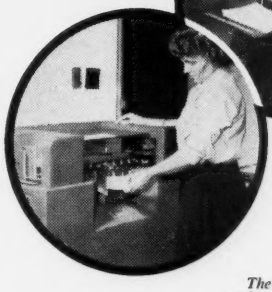


The SORTER arranges punched cards in required sequence.



The printing TABULATOR reports in alphabetical and numerical form.





The compact high-speed KEY PUNCH is completely flexible.

The INTERPOLATOR performs varied and diverse card grouping operations.

UNDERWOOD SAMAS

SAMAS PUNCHED CARD DIVISION

underwood LIMITED

Head Office: 135 Victoria Street, Toronto 1, Ontario

Ask your secretary to mail this coupon:

I am interested in knowing more about the Underwood SAMAS Punched Card System

NAME ..... TITLE .....

ADDRESS .....

CM-4 118

TOPICAL

comments *by N. R. Barfoot*

LOOKING AHEAD

Shorter work week will be the really big push by labour in the next year or two. Thirty-five hours is the goal.

Seaway business may run as high as 40 million tons with a total revenue of $15 million. Will the Ontario ports be able to handle all traffic satisfactorily? By year-end, the story will be known.

Highway spending will amount to over $1 billion this year. Seventy per cent of it is in provincial budgets.

Canadian Oil reserves proven at the end of last year were 2.87 billion barrels. Estimates of 50 billion barrels have been made. The Athabaska tar sands contain, it is calculated, 250 billion barrels. Proven reserves of oil in the Free World amount to only about 229 billion barrels. Present production is about 900,000 barrels a day in Canada; productive capacity is about twice that.

Ten years ahead, industrial growth will be dominated by electronics. Enormously expanded use of plastics and reinforced plastics will be noticed. Much faster product and equipment obsolescence will accelerate sales and production.

ON THE PERSONAL SIDE

• *Recent heart research* is throwing doubts on the current low-fat, high-carbohydrate diet for heart patients. The new thesis is that cholesterol is not the real culprit but the so-called neutral fats are the guilty party. This fat is the major constituent of "fatty food" as well as the body's fat tissue. Meat, peanuts and margarine are high in this type of fat.

• *Mental sharpness* after middle age need not lose its edge. If you view mental decline as inevitable and shrink from developing new interests in your later years, you may realize a mental recession. Lazy habits of thinking are the worst threat. Continue with formal education as long as possible.

• *Traffic fatalities* are on the decrease, down by 82 across country. August is the most dangerous month with last year showing 11 deaths per day and 270 injured. February is the safest month with 5.6 deaths and 175 injured per day. With one motor vehicle to every 3.5 persons and an average of 8,200 miles per car, it pays to drive safely.

OF GENERAL INTEREST

B.C.—a few facts and up-to-date statistics

Poulation—1.54 million
Electricity generated—11,500 million K.W.H.
Lumber per annum—4,800 million bd. ft., value $290 million
Value of Mineral output—$150 million
Fishing—$100 million in value
Last year, 26 million salmon alone were caught and 203,000 tons of herring

Agriculture accounted for $123 million in 1958
Labour rates are the highest in the land
Labour legislation is the most advanced or most controversial, dependent upon your viewpoint. For example, proposed laws would make trade unions legal entities; would outlaw sympathy strikes and picket lines.

LEISURE TIME

Work and leisure habits have changed greatly in the last few decades. For example:

- The factory work week has dropped from 65 to 40 hours. Managers and proprietors still work 53 hours a week and 70-hour weeks are not rare.
- Leisure time is here in increasing amounts and has become a problem to all. It has been suggested that people are torn between using their leisure for fun and using it to maintain status. In suburbia, it is a must to garden, yet a recent survey showed only 30% of gardeners really enjoyed it.
- The greatest single recreational activity and expense is the automobile. Most fishermen spend more time at the wheel than catching fish.

It is estimated that one out of every six dollars of disposable income is spent for leisure.

- Fishing, hunting, tennis, golfing, boating and skiing, in that order, occupy much of our leisure time, according to the license bureau.
- Expenditures on leisure in terms of family income show a remarkable similarity. For example—The family whose income is under $4,000 a year spends a greater percentage of that income on leisure than any other income group. Middle-income families spend a smaller percentage of their budget on leisure than the poor family. It seems that we all buy the same package of leisure wrapped in a different style. There isn't much difference in the Ford and Cadillac these days except in style and power.
- The newer middle-income groups in suburbia and exurbia use their new leisure mainly in the mass media of T.V. and golf rather than movies and baseball.

They buy outboard motors rather than go to concerts. They do not add materially to the market for books, music or other leisure activities of a complex cultural nature requiring intellectual curiosity.

- The great equalization process is underway. Income extremes, both high and low, have been levelled. Working habits have not followed suit. The higher-income professional—manager, teacher, doctor, lawyer—works as hard today as the iron worker or brick maker of 100 years ago. Leisure is not so readily available, then, to the educated class or to the lower-income group.
- Leisure has become an important matter to businessmen. It is an issue on labour policy. Overtime is no longer viewed very favourably, even when paid for at expanded rates. Breaks for almost every conceivable reason are sought. Decisions on new plant locations are affected to some degree by the rightness of the place to live, meaning, are there recreational facilities close by.
- A drastic shift in the availability of leisure and leisure habits has taken place since the turn of the century. It is doubtful if we know how to use our spare time too well as yet, but the iron bonds of dawn-to-dark work have been broken for millions and will never return.

MARKETING—THE NEW CHALLENGE FOR THE COST ACCOUNTANT*

By Harold E. Cannon,
Comptroller, Ontario Division,
John Labatt Limited,
London, Ontario

More and more money is being poured into the marketing function to maintain and boost levelling sales, with the result that profits have shrunk even more. The author suggests that it is time for the cost accountant to concentrate his knowledge of control techniques, gained in the production sector, more particularly in the marketing area.

MANY cost accountants are already involved in the varied and complicated problems of the marketing department and have, therefore, accepted the challenge. Others may have, as yet, no indication of what lies ahead in this area. To prepare those who have not yet been invited into the inner, mysterious sanctum and to review the position of those who have, a little self-analysis might be in order.

Let us outline in the beginning what is meant here by the marketing department. First, it includes the sales department. This department encompasses all the direct selling handled by the salesmen and includes their salaries, expenses and all the paraphernalia required by them to do a direct selling job. Then it includes the advertising department whose function is quite obvious—they deal with the agency, set up the programs, etc. Then there is the public relations group, which may be more or less important, depending upon the nature of the company.

Pat formulas or complicated charts will be no help in the marketing field: first, because there are probably no such things, and secondly, because there are no reliable answers that can be culled from a text. Don't, however, confuse this with market analysis. This latter field has become an exact science. We, at present, are concerned only with marketing costs and their control.

EVOLUTION OF THE COST ACCOUNTANT

Let us go back a few years in the life of the cost accountant and trace his progress briefly from the time he was conceived until he reached his present professional stature. Back in the early twenties all accountants were bookkeepers and all costs, if recorded at all, were duly entered by hand in large ledgers. There were, however, at that time, a few men of vision who realized that it would be helpful if industry had some idea at least of the cost of producing the goods which they were selling. From this era we jumped into the desolate thirties, when nothing was being made or sold in any case. Somewhere around this time though, the standard technique for control of

*An address to the Ottawa Chapter of the Society of Industrial and Cost Accountants delivered on April 9,1959.

The immediate Past President of the Society of Industrial and Cost Accountants of Ontario, Mr. Cannon is a Registered Industrial Accountant. At present Comptroller of the Ontario Division of John Labatt Limited in London, he joined this company in Toronto 11 years ago. While there, he was active in the Toronto student group and on the Executive of the Toronto Chapter. He has been a member of the Ontario Council for the past nine years and has served on many committees in the Society.

costs was developed—and a good job it was too or we would still be trying to figure out how much the second world war cost.

It was no co-incidence that the cost accountant finally blossomed after the second world war, since it was then that industry took a tremendous surge forward and Canada became, for better or worse, an industrial unit worthy of consideration in world markets. Methods for the tabulation and control of costs developed very quickly in this era. Refinements, changes and improvements were made in the use of standard costs, which have now become an absolute necessity in large industries. In an effort toward simplification, the marginal or direct costing method has been improvised. Control of costs through the medium of budgets has now become, in many instances, an exact science.

In the post-war era, there has been an even more fascinating development—the projection of costs into the future. We are no longer so concerned with what took place last week or last month, but are more interested in what is going to happen next month or next year. The cost accountant is finally airborne. When he becomes acclimatized, he will be made a controller, for after all a controller is nothing more than a cost accountant with added responsibilities—and in more and more cases today, the general manager is also a controller with added responsibilities.

Another area in which we have made some progress, though not as much as we should and not as much as we have in production, is in the field of distribution costs. We have still a great deal of work to do in this dimension. In the highly competitive markets of today, above-normal distribution costs can and have ruined many a thriving business. Here again is an area where the techniques developed for the plant can be improvised and applied. Set up standards of performance—get yourself a top-flight traffic man and the results can be amazing. The distribution unit in our company is operated as a separate identity, and the lowest competitive rate is used as a standard. This is a most exacting standard, but it constantly reminds us that this is a case where the transportation function should be left to others.

YES, WE HAVE COME A LONG WAY. We have developed a science, a very exact science. We are now professionals and recognized as such among our fellow men—BUT HAVE WE FINISHED THE JOB?

WHAT ABOUT THE MARKETING DEPARTMENT?

During the time we have spent in the plant, another giant has grown up, which can be all-consuming unless brought under control. Prior to the war, a marketing budget of a million dollars was most unusual; today many companies are spending many times this amount in an effort to protect their position in our highly competitive economy.

During periods of increasing sales and steadily rising sales curves, very little, if any, thought is given to the costs of maintaining this upward trend. Break-evens have been getting higher and higher and the necessity for ever-increasing volume is apparent to all. In this situation, nothing is too good for the marketing department—give them everything they need to do a job and maintain their momentum, including any amounts of money they require. Right or wrong, this is the generally accepted principle and in most cases this is what has been happening in the post-war years. No particular effort was made to control these costs—after all, sales were increasing in leaps and bounds—profits were never higher, so why worry. BUT all the time the

good old break-even was getting higher and higher. We had a lion by the tail and couldn't let go, even if we wanted to.

This was roughly the picture until the past few years and, more particularly, last year. Gradually, and then more rapidly, a change began to take place. Sales curves stopped climbing off the charts and became static. In many cases in the past year they have even started to drift downward. *BUT*—what has been happening to marketing costs? They have continued to soar and even more rapidly since the marketing people have redoubled their efforts to continue their sales increase. The inevitable result has been that profits have started to shrink and more and more pressure has built up in the production area to maintain and even reduce costs in the face of constantly increasing labour content.

There is a limit to what can be accomplished in this area and it is finally dawning on top management that some effort must be made to limit and use more effectively the large sums of money being poured into marketing.

This is where the cost accountant and controller comes upon the scene. In most companies he has always had a part in preparing the marketing budget where it has fitted into overall company-wide planning, but generally this has been the extent of his participation. As a result, marketing budgets are almost invariably over-spent. This is usually justified by corresponding sales increases, or more recently, by the effort to maintain volume.

How can we approach this problem? First, we must accept the premise that here is a group of free-wheeling, free-thinking personalities, accustomed to going their own way and making their own decisions—an uninhibited people—and who would want it otherwise. We don't approach them with a slide rule and a book of figures, for if we do, we are not going to get anywhere. We approach them in much the same manner as the smart wife who controls the household without appearing to do so. Since all wives are born with this ability, this is going to take some ingenuity. The talent can be acquired and, if it is, the path will be a lot smoother.

Since our participation in preparing the marketing budget already gives us one foot in the door, the next step is to provide useful, regular information, in readable form, to the marketing management group. Here is a brief summary of the major areas with some suggestions about what can be done.

SALES DEPARTMENT

This one is not too difficult since the costs generally include salaries, expenses, etc. The expenses are a little tougher. In our company, we are developing an expense account which codes directly into the regional budget summary. The expense account form has headings similar to the regional budget. Each week when the expense accounts are submitted by the salesmen, they are paid and then processed in the tabulating department which separates the expenses by classifications. From this information, a weekly report is prepared for the marketing director and regional sales managers, which is compared weekly against the budget allotment. The total weekly expenses become the amount of the imprest expense account deposit.

Most, if not all, salesmen and sales managements have the bulk of their earnings tied in to sales results. The reason is very obvious—to stimulate effort. However, it is becoming more and more apparent that the sales group's ability to stay within their spending budgets should be given some additional weight in the bonus calculation. This

does not mean that the sales volume should be limited by the budget allotment, but it does mean that a member of the sales group who is able to produce the required volume and still remain within the required spending limits should be rewarded to a greater extent than one who produces the required volume and is away over his budget. Why not two bonus scales: one based on sales performance, and one based on sales and budget performance combined?

Another suggestion in the direct selling area is the budgeting of a special sales fund under the control of the director of marketing. This method adds the necessary flexibility and mobility to the largely inflexible routine expenses. This fund could be used at the discretion of the marketing director in any area where it becomes necessary during the year. This is a direct selling fund and could be applied as a direct allocation to any region or function and accounted for in a manner similar to normal expenses.

ADVERTISING

This is and always has been the personal property of the men of vision. The occupants of this field are men with creative ability and imagination and all cost accountants and controllers should enjoy the stimulation of associating with them as often as possible.

BUT—as money spenders they have no equal. There would be fewer gray hairs and bowed shoulders among controllers and general managers if company profits over the past ten years were even close to the amounts spent on advertising.

The normal approach in the budget is an allocation within the ability of the company to pay. This is then compared to the program which has been developed by the advertising department and the agency, and is always about half enough.

Any attempt to control the advertising budget through the recording of historical data is a waste of time. The advertising group, by their nature, are always forced to work many months ahead and commit themselves well into the future. The only method with any chance of success is a "Commitment Record," updated weekly or monthly, in which are recorded all commitments made by this group. A small binder outlining the budget in detail with corresponding columns for amounts committed and invoices paid, which is reviewed monthly with the controller and advertising manager, will do a good job if conscientiously maintained.

CONCLUSION

By far the most important qualities needed by accountants if they are to operate effectively in the marketing field are imagination, broad thinking and a sales-type of approach to the problem.

We have done an excellent job in the production area, in the application of standards and budgets. Much of this has been accomplished through the education of production people in the use of these tools. In approaching the marketing people, the situation is quite reversed. We will only accomplish the desired results by educating ourselves. True, we must endeavour to make them cost-conscious, but this will only be accomplished if we ourselves are able to view their problems through their eyes. We do not want to confine the effectiveness of their performance by having them spend a larger portion of their time than is necessary in the area of control of costs.

Is this then not a worthy challenge for the ingenuity of our profession?

The Economic SCENE . .

by W. Allan Beckett

CURRENT TRENDS IN CANADIAN FOREIGN TRADE

RECENT developments in foreign trade, from both the international and Canadian aspects, have been the most significant in some years. They suggest that there have been fundamental structural changes in world trade as a whole, and also that hitherto accepted ideas regarding Canadian trade may require substantial revision.

At the international level there is considerable evidence to support a belief that the dominant economic influence on world trade is no longer the United States. Since the immediate postwar years, international monetary theory has held that a recession in the United States would result in severe pressures on the foreign exchange reserves of other countries. Until the cyclical adjustment of 1957-1958 this proved to be true.

In the last recession, however, non-United States reserves of gold and American dollars rose by an unprecedented $4.2 billions. The European countries, instead of being compelled to revert to import restrictions to protect their reserves, were able to make their currencies convertible. Some, like the United Kingdom, extended only limited external convertibility, others, such as West Germany, complete exchange freedom. In addition the German Republic opened its capital market to foreign borrowers as did Switzerland, where capital loans had been suspended since the Suez crisis.

During a period of economic recession in North America, United States imports declined imperceptibly in value and actually increased in volume. Canadian imports (except those from the United States) did not fall. For the first time since early in the century the United Kingdom had an export surplus. For the first time since 1946 German exports exceeded British in 1958. In the January-March quarter of 1959 United States merchandise imports exceeded exports, again for the first postwar time.

It would seem, in the light of these developments, that if the "dollar problem" has not been solved it is at least soluble. One-third of world exports presently originate in Europe, against 27% five years ago. In the same period the participation in world exports of the United States and Canada has declined from 27% to 25%.

Canadian foreign trade trends today are, clearly, being defined by considerably different international influences than those which have prevailed in the last decade. While it is too early to be conclusive regarding the effects of these influences, they do perhaps provide some explanation of current trends in Canadian trade.

Ordinarily, Canadian non-agricultural exports increase quite sharply in response to an upswing in the United States business cycle, and at a relatively early stage of the cyclical development.

The current economic recovery in America began in the early spring of 1958—roughly a year ago. Canadian domestic exports, however, are presently (January-March) running at a seasonally adjusted level somewhat below the $4,750 rate of the first quarter of 1958, and on a basis of year-over-year comparison are $35 millions below the 1958 period.

Table 1.

CANADIAN MERCHANDISE TRADE—JAN.-MAR. 1958/1959.

	1958	1959
TOTAL.		
Exports	1092	1058
Imports	1189	1244
Balance	–97	–186
U.S.		
Exports	656	651
Imports	859	896
Balance	–203	–245
OVERSEAS.		
Exports	436	407
Imports	330	348
Balance	plus 106	plus 59

Since the level of export prices has not altered between the two quarters, this represents a decline of about 3% in export volume.

The seasonally adjusted rate in the first three months of this year, which may contain an upward bias because of the particular dates of the Easter holiday, is about $250 millions below the second quarter of 1958 and $150 millions lower than the preceding three months, as may be seen in Table 2. A recovery of export levels to 1958 values in the second quarter of the year implies a sizeable increase from the current rate.

Table 2.

CANADIAN DOMESTIC EXPORTS—SEASONALLY ADJUSTED.

(Millions of dollars.)

ANNUAL RATES	*1958*	1st Quarter	4752	*1959*	1st Quarter 4748
		2nd "	4992		
		3rd "	4670		
		4th "	4912		

By historical standards the effect of the current American recovery on Canadian export levels has, thus far, been extraordinarily slight. The explanation of this is twofold. First, there were a number of special factors basically unconnected with cyclical movements in the North American economy which sustained Canadian foreign sales least year.

These were the particular stage of the cattle cycle which resulted in very heavy live and slaughtered beef sales to the United States, large-scale contracts for uranium ores with the United States Atomic Energy Commission, and N.A.T.O. orders for Canadian C.F. 100 and Sabre aircraft.

Secondly, there has been a world-wide expansion in the productive capacity of industrial materials. In the 1953-1954 recovery, for instance, the United States had to turn to chiefly Canadian sources to satisfy its needs for the raw and semi-processed commodities required by expanding industrial activity. By 1958, however, world-wide accumulated capital expenditure on resource development, had provided a cushion against the renewed demands of an upturn in economic activity.

Following the commodity demands of the non-Communist world occasioned by

Korea, expanded production of industrial materials become an essential of Western world defence policy. It was promoted by exhortation, by generously termed loans and underwritten by the various stockpile programs. Under these conditions expansion was not always well considered, and it seems that, today, the consequences are becoming apparent.

Aluminum is one example. The stockpile program for aluminum in 1959 has been cut to a trickle from 325,000 tons last year; United States capacity by mid-year will be close to 300,000 tons greater than in 1958. Canadian, and other Western capactiy has been substantially increased in the past few years, while Russian offerings are available on the world market. Despite, therefore, a considerable measure of economic recovery in the United States, Canadian exports of aluminum are presently 10% below the first quarter of 1958.

Nor is this exceptional among the industrial materials which are the backbone of Canadian non-agricultural export levels. Present or emergent parallels can be made for newsprint, nickel, the copper-lead-zinc group, the platinoids, crude petroleum and asbestos.

Naturally, continued strengthening in the American and European economies will be reflected in higher Canadian export levels, but it may require a full-fledged boom rather than a moderate recovery, to make such increases impressive.

Canadian imports are following the patterns characteristic of previous cyclical movements more closely. It is, of course, usual to have an increase in imports phased fairly closely to an improvement in general domestic economic activity. This is currently occurring, as illustrated in Table 3.

Table 3.

CANADIAN IMPORTS—SEASONALLY ADJUSTED.
(Millions of Dollars)

ANNUAL RATES	*1958*	1st Quarter	5186	*1959*	1st Quarter 5570
		2nd "	5154		
		3rd "	5054		
		4th "	5360		

A continuing rise in import levels has been apparent since last September and the current peak was reached in March. Further increases will be related to overall economic movements. A moderate rise from present levels may be expected.

It is interesting that, as in the recessionary period overseas suppliers were not as affected as the United States, in the present recovery—with the notable exception of the United Kingdom, where there has been a decline in imports,— the relative increase in purchases from these countries is higher than that from the United States. Consumer goods imports from continental Europe—especially passenger automobiles —and Japan, particularly textiles, feature largely in this increase.

With a flat export level and a rising trend in imports, the implications for the Canadian external trade balance are clear. The import surplus on merchandise account will be appreciably greater than last year, and allowing for non-merchandise items, the current account balance for 1959 as a whole seems already well on the road to a record level.

STANDARD COST CONTROL FOR A PUNCHED CARD INSTALLATION*

By E. S. Kraft,
Systems Analyst,
Philips Electronics Industries Ltd.,
Toronto, Ontario

In this outline of standard cost control for a punched card installation, the author describes how the standards are established and some of the effects of the system. In addition to giving effective performance control and more economical operation, the standard system supplies management with valuable additional information, presented in familiar terms.

A PROPER evaluation of the performance in any production department can only be made by applying a measuring stick representing the expected output. This " . . . rule for measuring, established by authority, is called 'standard' . . . " [1] " . . . Standard costs represent a carefully planned method of making a product or rendering a service"[2].

Standard costs in punched card data processing are composed of the following elements: direct material, direct labour, and overhead.

DIRECT MATERIAL

This is that material which actually becomes part of the finished product. The "finished product" in data processing are the listings and reports, or a deck of master cards or up-dated balance cards. The material involved is the tabulating paper and the cards.

Although some publications[3] recommend direct material charges on the basis of actual usage to the jobs processed, such a distribution would not be economically justified in the installation under consideration, because of the small value (11% of total departmental expenses) and the work involved in keeping an additional recording system; it is therefore recommended that this cost element be treated as part of the overhead cost of those machines, the activity of which is in direct proportion to the material usage, i.e. the Accounting Machines (for the tabulating paper) and the Key-Punch Machines (for the cards). Material overhead costs are also negligible and will be recovered with the overhead absorption.

DIRECT LABOUR

Direct labour is that labour performed during production which changes the

**Excerpt from a thesis submitted for R.I.A. qualification*

[1] and [2] Th. Lang, Cost Accountant's Handbook, 1945, p. 270

[3] N.A.C.A. Bulletins, December 1952, p. 516; August 1954, p. 1622

Ernest F. Kraft has been employed with Philips Electronics Industries since 1954 and is presently System's Analyst there. A Commerce graduate of the University of Vienna, he was engaged in accounting and cost accounting work in Austria for 17 years. Winner of the Ontario Society's Silver Medal for high standing in Industrial Legislation in 1957, he was admitted into Registered Membership the following year after submitting one of the three prize winning theses for that year. He is also a member of the National Machine Accountants Association.

shape, form or nature of the direct material and which . . . "can be identified economically with the specific job lot of goods"[4].

The standard cost of labour is in principle determined by multiplying standard labour rates with standard times. Standard labour rates are established by weighing the actual labour rates in each class of direct labour, i.e. key-punch/verifier operators, and machine operators. In practice, the labour rate is found by dividing the total monthly salaries by the average monthly working hours, separately for the two classes of labour.

The usual methods of establishing standard times are time and motion studies, average of past performance, and advance estimate. Due to the conditions encountered in punched card accounting, a combination of the last two methods is used by means of empirical formulae. For the establishment of machine set-up times and handling times, a time study may be expedient. The procedure for establishing standard times is different for the two classes of labour.

(a) Standard times for key-punch/verifier operations

The time required for key-punching or verifying is expressed by the formula:

$$\frac{\text{(No. of cards) x (No. of columns per card)}}{\text{key strokes per hour}}$$

While it may be assumed that the number of cards and the number of columns in each card are known, the speed of the operators will differ and a standard speed has to be determined by the use of accurate production records. The machine set-up time, although existing, is negligible, and will be considered when establishing the standard operator speed. The necessary allowances (personal, fatigue etc.) are determined and expressed as a percentage of the total daily working hours; they are considered in the standard time by adjusting the operator speed (S) in the following manner:

$$S_A \cdots \frac{S\,(100-A)}{100}\ ; \quad \text{Example: } S_A \cdots \frac{10{,}000\,(100-8)}{100} \quad \underline{9{,}200}$$

A .... Allowance (personal, fatigue etc) in %

S .... Standard operator speed

S_A .... Standard operator speed incl. allowances

(b) Standard times for processing machine operations

Three elements affect the processing time:

(a) Set-up time

(b) Machine time

(c) Handling time.

The machine set-up time includes the time to insert the control panel, to carry the cards to the machine, make necessary settings and adjustments, insert the paper (in case of an accounting machine) and run a few test cards through the machine to prove the adequacy of the set up. The set-up time can be considered a fixed time element, i.e. not affected by the card volume.

[4] J. J. W. Neuner, Cost Accounting, Principles and Practice 4th edition, 1954, p. 193

The second and usually major element is the machine time which can be calculated from the card volume and the machine speed by using the following formula:

$$\text{Machine time (minutes)} \quad T_M \quad \frac{\text{Number of cards}}{\text{Machine speed (cards p. minute)}}$$

$$\text{Example:} \quad T_M \quad \frac{6000 \text{ cards}}{150 \text{ cards/min.}} \quad 40 \text{ minutes;}$$

For faster determination, graphs, tables, and a slide-rule-type "computer" have been developed.

The third element is the handling time. When operating a machine, it is normal to expect short interruptions caused by different operational details, such as placing more cards in the machine, spot-checking the results, operating a second or third machine at the same time, checking or balancing results, etc. The longer an operation lasts, the more handling time will accumulate, and for this reason, handling time is expressed as a percentage of the machine time.

Standard set-up times and handling time percentages for the different machines may be determined by time studies or from experience and evaluations of previous runs of the same or similar jobs.

The total time (T) established for these three elements has to be adjusted for the necessary allowances (personal, fatigue, etc.), expressed in percent of the total working time. The result is the *standard time*, computed by the formula:

$$\frac{T}{100-A}$$

A . . . Allowance in %

The standard time is expressed in minutes or decimal hours in relationship to the card volume (per 1000 cards or standard job volume).

For purposes of cost distribution, a distinction between fixed and variable machine time has to be made when establishing standard times and standard cost for a job. Since the card volume for a job will fluctuate, it is necessary to relate the standard cost to the card volume handled. For simplicity's sake one representative operation should be chosen, the card volume of which is directly proportional to the work involved. In the case of listed reports it will be expedient to establish one of the last steps of the processing as the representative operation, preferably the printing of the report, because it signifies the "volume" for the recipient, and the correctness can be easily verified by referring to the printed report.

In the case of a condensed report (e.g. departmental expenses, trial balance), where the final report always consists of approximately the same number of accounts etc., regardless of the number of original detail cards, the card volume of one of the initial operations, such as key-punching, or another suitable step may be chosen.

The next step is to determine which elements have a fixed character—such as set-up time, the usage of a master deck (with generally fixed volume) together with detail cards—in order to show these two elements separately for each operation.

The breakdown of the standard times into a fixed and a variable portion is only necessary if the job volume shows considerable fluctuations. In the case of a comparatively fixed card volume for each job, fixed standard costs will be satisfactory; in other cases, a combination of both systems may be used.

OVERHEAD COST

Due to the significant differences in machine rental and the relative importance of the rental expenses, individual overhead rates by machine type have to be established; they are applied to the direct labour hours during which the respective machines have been used.

The calculation of the machine overhead rates will be dealt with in detail in the section on the budget.

STANDARD COST CALCULATION

The standard cost of a job is established by calculating the costs of the individual operations, consisting of direct labour, fixed and variable overhead portions, and taking totals of all three elements. (Exhibit No. 1.)

For each job two decks of master cards will be prepared—a "Job master card" containing the total standard costs for the above three elements, and an "Operation master deck", containing all data by operation. (Exhibit No. 2.)

EFFECTS OF THE STANDARD COST SYSTEM

A standard cost system in the Machine Accounting Department provides for:

(a) a consistent and—assuming a careful setting of standards—correct evaluation of machine accounting services and adequate charges to the customer-departments.

(b) effective efficiency control of
  (aa) individual operators
  (bb) machine usage (machine utilization and realization) resulting in tangible savings by furnishing the basis for operator selection, and in connection with machine loading, revealing minimum machine requirements.

(c) the basis of planned machine loading, for which the standard times by operation can easily be adapted.

ACCOUNTING PROCEDURE

General: Under the standard cost system the accounting procedure has to cover direct labour and manufacturing overhead costs; this procedure will be similar to the system applied to the productive departments. The required accounting entries are shown on a flow chart (Exhibit No. 4).

Direct Labour: The amounts actually paid out (gross salaries) are debited to the class 6 account "Actual Labour at Actual Rates". From the time allocation cards the total amount of actual hours x standard rates will be obtained, and will be credited to account "Actual Labour at Standard Rates". The difference between the two entries is the *labour rate variance.*

The debit of the last entry is to account group 61, subdivided into accounts 610 to 615—"productive labour", "rework", "waiting time for machine", "training", "special assignment", and "no work".

A report made up from the standard operation master cards, extended by the representative card volume, will furnish the amounts of standard labour and overhead absorption. The standard labour cost is credited to account 619—"productive labour absorbed" and charged to a "work-in-process" account (class 5) which accumulates labour and overhead absorbed for all jobs processed, for subsequent distribution to the customer-departments.

The difference between the balances on accounts 610–615 and on account 619 represents the *labour performance variance, which consists of*

(a) the speed variance (difference between accounts 610 and 619)
(b) non-productive ("lost") time, broken down by reason (accounts 611 to 615).

Manufacturing Overhead: The actual departmental expenses are charged to the expense accounts (class 3) by expense classification.

The budgeted expenses consisting of a fixed and a variable portion, are credited by cost classification to the departmental "Expense Budget Account" (class 3) and debited in one amount to the "Expense Budget Burden" account (class 4). The difference between actual and budgeted expenses (class 3) represents the *departmental expense variance.*

The amount of absorbed overhead (overhead absorption rate x standard quantity produced) is credited to the account "Overheads Absorbed" and charged to the work-in-process account mentioned above. The difference between the accounts "Expense Budget Burden" and "Overheads Absorbed" is the *volume variance.*

Initial Project Costs: It is company policy to absorb initial project costs by the Machine Accounting Department; for this purpose an adequate amount is included in the departmental budget. Work done on such projects is charged to development job orders, which are closed out as departmental expenses of the Machine Accounting Department.

COST DISTRIBUTION

The amounts charged out to the customer-departments are computed as follows: the variable portions of the standard labour and overhead costs are applied to the representative card volume (actual) of the job; the resulting amounts are added to the fixed portions (if any) of standard labour and overhead costs; the resulting total is the cost for the job at standard and will be charged out.

Although these calculations seem to be complicated, they will be handled by the calculator in one pass of the cards. The control panel can be wired to disregard minor discrepancies (limits to be established for each job or in general) between standard and actual card volume, if in such cases constant charges are desired; also, the total charge per job can be rounded off to the nearest dollar, or five dollars, etc.

The actual representative card volume is entered by the operator on sheets prepared daily, from which *volume cards* will be punched for each entry (job) (see Exhibit No. 3); these cards are merged with the standard cost/job master cards by job-number, the extensions calculated (as described above), and the "Charges Report" prepared, after the close of the accounting period. One copy is forwarded to the Accounting Department for the preparation of the accounting entry, another copy to the department charged. If desired, details regarding the calculations will be given to the departments concerned; this may be done by issuing listings with the pertinent data, or by expanding the information printed on the report.

THE BUDGET

The preparation of the budget will be based on the principles applied to the present system; however, separate budgets will be set up for direct labour and overhead. The budget for overhead expenses including the cost of the planning section, supervision,

and materials, will be analyzed and split into a fixed and a variable portion. Due to the required breakdown by machine, both portions are prorated over the different machine types by applying adequate bases.

According to the principle of recovering all normal departmental expenses, an allowance for operating variances will be included in the standard costs. To simplify subsequent calculations, this allowance will be included in the machine rates by prorating the total expected operating variances (labour rate and labour performance variance, departmental expense variance) over the machine types on the basis of budgeted direct labour plus overhead. The apportioned operating allowances will be added to the fixed portion of the overhead costs of each machine type.

Hourly rates for both fixed and variable overhead costs are computed by relating the fixed costs to the normal load, the variable costs to the expected load (both in hours).

The hourly rates for the fixed and the variable overhead portion are totalled by machine type and represent the overhead rate to be used when establishing the standard cost per job and when calculating the overhead absorption.

SUMMARY AND CONCLUSION

The punched card installation—if its possibilities are fully utilized—has an important position in the reporting system of any company. For this reason and because of the high operating expenses, management will expect that all steps are being taken to ensure optimum performance and efficiency.

With the increasing size of an installation, the efficient operation becomes more and more complex and an adequate control system is indispensable. Effective performance control, however, is impossible without standard times. Admittedly the breakdown of all jobs into operations and the establishment of standards involves much work, but it should be kept in mind that this is a one-time job and that the system functions nearly automatically from there on. Assuming that figures of average times and card volumes are available for work scheduling purposes—and no installation should be without work scheduling—then the calculation of standard times and standard costs can even be done by machine.

While the operation of the standard cost system requires only little additional clerical work (such as setting up standards for new jobs and preparing the monthly reports), the following benefits may be derived in exchange:

1) The standard system reflects actual efficiency of operators and entire department—the basis for necessary action toward cost reduction.
2) Standard costs are the basis for evaluation whether a job is more efficiently performed on punched cards or manually—important when screening present jobs for possible eliminations, or considering new applications.
3) Standard times enable the determination of unused capacity (in connection with machine loading requirements)—important in case of new requests from management.
4) The additional information available under the standard system (such as variances, and efficiency and realization percentages etc.) is particularly important because it is presented in terms familiar to management.

In conclusion, it is dangerous to place full dependence on the tabulating supervisor's ability to maintain maximum control over a complex system of punched card

operations by personal contact alone. The breakdown into standard times by machine step and the application of standard costs offer new cost reduction possibilities by increasing operator efficiency and—in connection with proper scheduling—by increasing machine utilization and productivity.

HUGHES ASSOCIATES

MANAGEMENT CONSULTANTS

Office Methods and Systems Procedures
Production Control and Scheduling
Cost and Inventory Controls
Sales Analysis

Automation and Data Processing
Manufacturing Controls
Order Billing
Industrial Engineering

We also have a bookkeeping service for marginal accounts

HAMILTON, CANADA — JACKSON 9-6340

PAYNE-ROSS

LIMITED

management consultants

TORONTO, Board of Trade Building, EMpire 3-8282
MONTREAL, 550 Sherbrooke St., W., AVenue 8-6193

Affiliated with
Bruce Payne and Associates Inc., United States, South America and Europe

PAYNE, PATTON & PUGSLEY

CHARTERED ACCOUNTANTS

Gordon S. J. Payne, C.A.
Philip T. R. Pugsley, C.A.

Donald R. Patton, C.A.
Donald W. Burke, C.A.

Suite 14, The Linton,
1509 Sherbrooke St. West — Montreal, Que.

Exhibit No. 1

MACHINE ACCOUNTING DEPARTMENT

Standard Cost Calculation Sheet

Representative Op'n:	02
Stnd. Card Volume (period):	3300

Job Number 026 Job Description: Monthly Salesmen's Expenses

Operation		Machine Type	Standard Time (minutes)							Standard Cost						
			Fixed Portion				Variable Portion			Labour			Overhead			
No.	CardVol.		Setup	Mach	Hdlg	Total	Mach	Hdlg	Total	Rate	Fixed	Variable	Rate	Fixed	Variable	Total
01	13200	083					14	3	17	2.00		.60	2.00		.60	1.20
01A	3300	089	6			6	14	3	17	2.00	.20	.60	4.00	.40	1.20	2.40
02	3300	407	5			5	24	4	28	2.00	.20	1.00	14.00	1.40	7.00	9.60
03	—	File			6	6				2.00	.20		1.50	.15		.35
04	—	Burst	6	3		9				2.00	.40		1.50	.30		.70
	Total					26			62		1.00	2.20		2.25	8.80	14.25
	Total per 1000 cards										.30	.70		.70	2.70	4.40

Exhibit No. 2

026		0221	33		26	63		30	70	70	270	440
JOB NO.		DEPT. CHOD.	STND. CARD Vol.		TOTAL STND. TIMES FIXED	VAR.		STND. LAB. COST FIXED	VAR.	STND. OVERHEAD COST FIXED	VAR.	TOTAL STND. COST

026	01		33	083		1.7	2.0	2.0		60		60
JOB NO.	OP'N NO.		STND. CARD Vol.	MACH. TYPE	TOTAL STD. TIME FIXED	VAR.	STND. LAB.	RATES OHD.	STND. LAB. COST FIXED	VAR.	STND. OHD. COST FIXED	VAR.

Exhibit No. 3

026		37
JOB NO.		ACT. REPRES. CARD VOL.

VOLUME CARD.

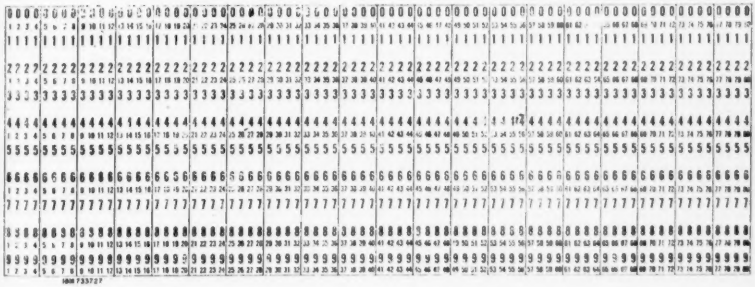
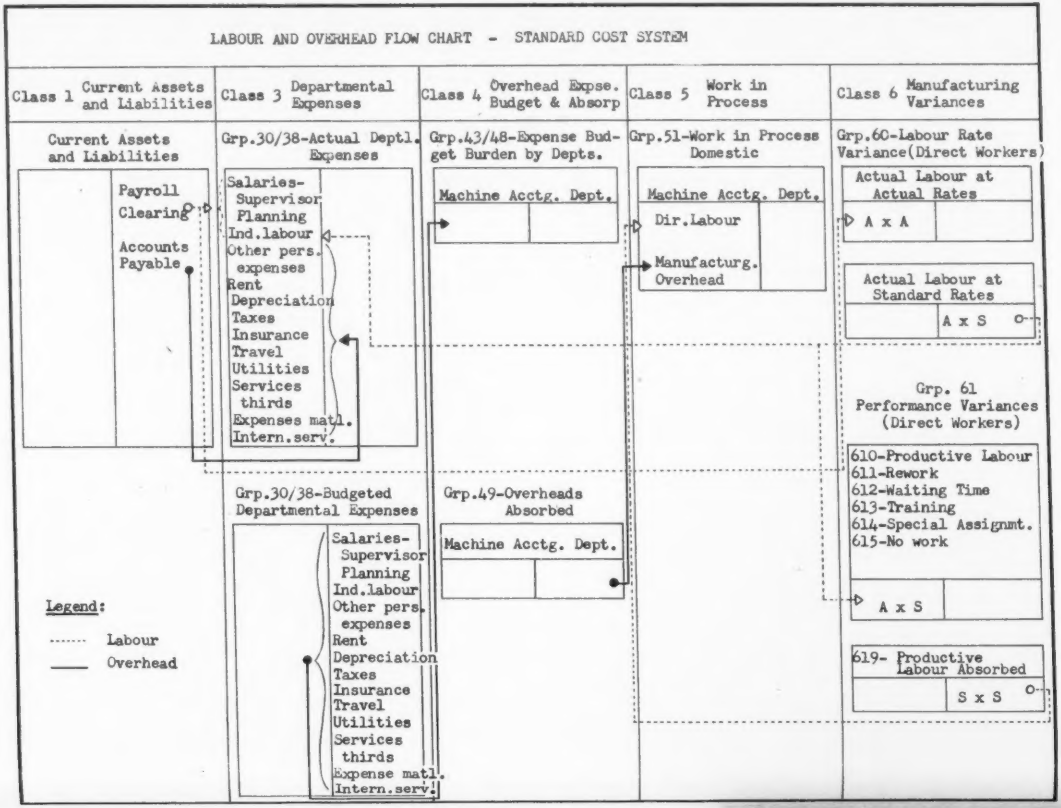


Exhibit No. 4


LABOUR AND OVERHEAD FLOW CHART - STANDARD COST SYSTEM
Class 1 Current Assets and Liabilities
Class 3 Departmental Expenses
Class 4 Overhead Expse. Budget & Absorp
Class 5 Work in Process
Class 6 Manufacturing Variances
Current Assets and Liabilities
Payroll Clearing
Accounts Payable
Grp.30/38-Actual Deptl. Expenses
Salaries-Supervisor
Planning
Ind.labour
Other pers. expenses
Rent
Depreciation
Taxes
Insurance
Travel
Utilities
Services thirds
Expenses matl.
Intern.serv.
Grp.43/48-Expense Budget Burden by Depts.
Machine Acctg. Dept.
Grp.51-Work in Process Domestic
Machine Acctg. Dept.
Dir.Labour
Manufacturg. Overhead
Grp.60-Labour Rate Variance(Direct Workers)
Actual Labour at Actual Rates
A x A
Actual Labour at Standard Rates
A x S
Grp. 61 Performance Variances (Direct Workers)
610-Productive Labour
611-Rework
612-Waiting Time
613-Training
614-Special Assignmt.
615-No work
A x S
619- Productive Labour Absorbed
S x S
Grp.30/38-Budgeted Departmental Expenses
Salaries-Supervisor
Planning
Ind.labour
Other pers. expenses
Rent
Depreciation
Taxes
Insurance
Travel
Utilities
Services thirds
Expense matl.
Intern.serv.
Grp.49-Overheads Absorbed
Machine Acctg. Dept.
Legend:
Labour
Overhead

JUNE 1959

S.I.C.A. Newsletter

INCORPORATED 1920

SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF CANADA

THE MONTH IN REVIEW

Since the initial grant from the British Columbia Society last Fall, contributions to the Educational Foundation from the provincial societies and the chapters have totalled $7,500. In rapid succession, the Nova Scotia, Alberta and Ontario Societies followed suit and a recent pledge from the Montreal Chapter has brought the total to its present level.

This stout backing not only means that the Foundation will be able to complete the work of curriculum revision without delay. It is also a demonstration of the solidarity of purpose that has characterized the Society from the start. In the field of education, which is essentially a provincial matter, the provincial societies have shown as much desire to cooperate as they have on less vitally individualistic issues.

In the Educational Foundation, with its regional representation and special blend of practical and academic experience, the provincial societies have recognized the ideal instrument for maintaining a high level of educational excellence. The R.I.A. educational program is fundamental to the growth of the Society and education, if it is to be of any value, cannot afford to remain static.

The investment in education has paid off well in growth statistics. This year 151 students attained Registered Membership as against 92 last year. This increase stems from the upsurge in student enrolment which took place five

years ago. In 1954, when the Educational Foundation commenced its course revisions, student membership was 2450, of which 1098 were new members.

This year, by contrast, 1747 new students have been enrolled for a total student membership of 4655. At this rate of growth, in a few years there should be about 300 graduates per year. Aside from a reassuring growth picture, the figures show a greater stability in Registered Membership. This year only 11 members were deleted from a Registered Membership roll of 1161 and this number includes deaths and retirements.

From the statistics then, we can assume a steady expansion of our Registered Membership, which is the best guarantee of future growth as their technical know-how is poured back into the educational pool. One of the most important by-products of this process is the service rendered to the whole membership through the submission of graduate theses.

About 500 theses are on file in the national library of the Society and approximately 150 more are being received each year. This collection is unique among examples of accounting literature. The Society is the only accounting body having the thesis requirement and such a comprehensive storehouse of detailed information can be found no where else.

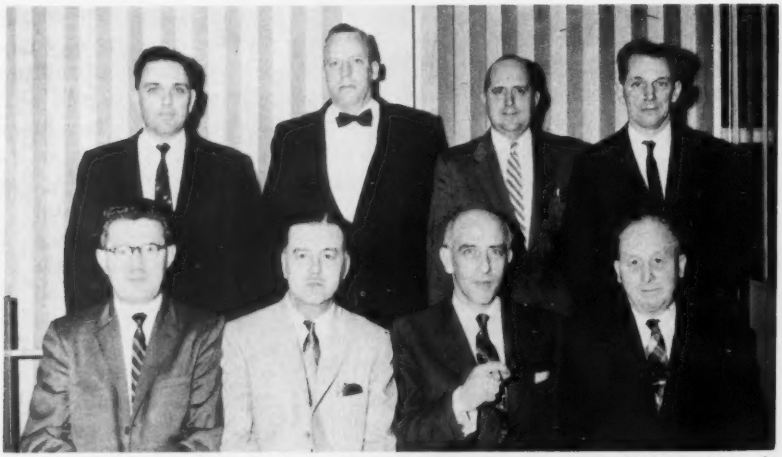
Most of the theses contain complete descriptions of accounting and cost accounting systems in specific industries, while others are of a more general nature. The average thesis is book-sized and fully illustrated with forms, charts and examples.

To give this valuable collection wider circulation and as a service to the membership, the Committee on Publications and Technical Services will recommend the publication of selected theses to the Board of Directors. Among the theses of general interest are many which, when published in their entirety, should have wide membership appeal and value.

The publication of graduate theses is only one of the expanded technical services which will be made possible by the Society's satisfactory growth picture. The increased emphasis on technical depth and expansion of graduate member services is a trend which will continue to accompany student growth. Basic to growth in both directions is the research work of the Educational Foundation whose accomplishments are now being so deservedly recognized.

SASKATOON SEMINAR - Dean T. H. McLeod of the University of Saskatchewan puts across a point during last month's seminar on "Administering the Enterprise." Looking on, from left, are: fellow Moderator Dr. H. C. Grant, Toronto; J. H. Tims, Regina, W. G. McKay, Saskatoon; D. G. McIntosh, Winnipeg; H. P. Gatin, Regina; E. J. Durnin, Regina; J. F. Hagglund, Fort William; D. E. Foley, Regina; R. B. Richards, Regina; A. E. Meyer, Calgary, I. K. Sexsmith, Winnipeg, R. D. Mahara, Regina; D. E. Cuddington, Regina; J. S. Scobie, Calgary; D. K. Partington, Regina.

DR. H. C. GRANT (centre) leads a group discussion at the Saskatoon Seminar, held at the University of Saskatchewan. Listening, from left, are H. P. Gatin, W. G. McKay, A. E. Meyer, I. K. Sexsmith, J. H. Tims and J. F. Hagglund.



B. C. ADVISORY COMMITTEE - The B. C. Society has answered the question of how best to utilize the knowledge and experience of its past presidents. They have been appointed to the "Advisory Committee of Past Presidents of British Columbia" and will lend their collective wisdom to knotty problems encountered by the Executive Council. Present at the first meeting were eight of the nine members to date of this new committee (from left) Front Row: T. A. Kennedy, Nick Abramsen, V.E. Feimann, Norman Terry; Back Row: D.R. Alexander, G.F. Cassidy, John Cummings, G. Ernest Owen. Not shown is C.F. Bailey.

SUMMER OFFICE HOURS

During the months of July and August the Hamilton Office hours will be 8.30 a.m. to 4.30 p.m. Monday through Friday. The office will not be open on Saturdays during those months.

Announcing the

ANNUAL ONTARIO CONFERENCE

Hotel London, London, Ontario
October 23-24, 1959

TECHNICAL SESSIONS PROGRAM

Friday Morning

CO-ORDINATION OF MARKETING AND ACCOUNTING - THE MARKETING VIEWPOINT

CO-ORDINATION OF MARKETING AND ACCOUNTING - THE ACCOUNTING VIEWPOINT

Friday Afternoon

PANEL DISCUSSION

Based on the two papers given in the morning's session

Saturday Morning

THE SALES FORECAST - BASIS FOR BUSINESS PLANNING AND BUDGETING

ECONOMIC INDICATORS - HOW TO USE THEM IN A BUSINESS FORECAST

Saturday Afternoon

GROUP DISCUSSION

Based on the two papers given in the morning's session
by the following industry classifications

Soft Goods Industries

Consumer Goods (durable) Industries

Capital Goods Industries

Service and Merchandising Industries

AROUND THE CHAPTERS

In most chapters last month meetings were over for the season, though a few were holding their annual meetings and electing officers for the coming year.

Among these, the LAKEHEAD CHAPTER combined its meeting on May 21st with a pleasant social evening, particularly enjoyed by the student members after their long bout with examinations. To some 50 persons present, W.R. Kirk, Educational Administrator of the Society, outlined the new course of studies and presented R.I.A. certificates to three graduates who were unable to attend the Ontario Annual Dinner - J.F. Paquette, F.H. Smuck and Stephen Splawski.

Nine other graduates received the congratulations of their chapters when the WINDSOR and KENT COUNTY CHAPTERS met jointly on May 21st. A tour of the Chrysler Plant preceded the meeting and later F.G. Black, Chrysler's Director of Budget and Control, addressed the group on "Financial Analysis and Cost Control."

Another plant tour of interest took place on May 14th when 60 members of the OTTAWA CHAPTER visited Phillips Electrical Company Limited in Brockville. Afterwards, the chapter heard Frank J.E. Rogers, Principal of Brockville Business College, comment on the "Romance of the Typewriter" and then adjourned for the annual business meeting.

In a similar vein, the VANCOUVER CHAPTER combined the May business meeting with an enticing program of documentary films. "From Peace to the Pacific" graphically illustrated the building of the West Coast Transmission Gas Pipeline, while the film "Nature of Work-Vice President" mapped out typical duties of this executive. Elected to next year's chapter Executive at the business sessions were: Chairman, Les Chapman; Vice-Chairman, K.G. Nichols; Secretary-Treasurer, D.O. Hunter; Directors, S.F. Jacobs, F.B. Beardsley, J.D. Goforth; Auditors, J.D. Rennie and A.C. Jagger.

NEW Members

General

GRAND RIVER

L. Eugene Hofstetter, B.F. Goodrich Canada Limited, Kitchener.

HAMILTON

Lloyd E. Hack, Long Manufacturing Co. Ltd., Oakville, Ont.

Edward M. Mills, Ontario Department of Highways, Toronto.

LAKEHEAD

Harry Kamo, Great Lakes Lumber & Shipping Ltd., Port Arthur, Ont.

PETERBOROUGH

George W. Lowes, Nicholson File Co. of Canada Ltd., Port Hope, Ont.

TORONTO

G.A. Du Casse, George H. Hees Co. Ltd.

John F. Kelly, DCA Food Industries Ltd.

VANCOUVER

Andrew Brown, Crown Zellerback Canada Ltd.

Leonard Sambell, Pacific Western Air Lines Ltd.